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| **Company: Ford Motor Co** | Ticker: F Current Price: 12.27 | Sector: Consumer Discretionary | Sub Industry: Automobile Manufacturers |
| Target Price: 20.06  Stop Loss: 7.36  52 Week High/ Low: 16.57/11.17 | TTM P/E: 9.6  Forward P/E TTM 6.9  EPS: 1.2 | Beta: 1.09  Credit Rating: Baa3  Rating Outlook: Stable | Market Cap: 55.93 billion  Avg. Vol (30 Day): 41.07M  Dividend Yield: 5.19 |

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| **Company Background:** |
| CORPORATE OVERVIEW. Ford Motor Co. is the second largest U.S. motor vehicle manufacturer. It produces cars and trucks, and many of the vehicles' plastic, glass and electronic components, and replacement parts. Also, it owns a 2.1% stake in Mazda Motor Corp. Financial services include Ford Motor Credit (automotive financing and insurance) and American Road Insurance Co. |
| **Industry Outlook:** |
| The fundamental outlook for the automobile manufacturers sub-industry for the next 12 months is positive. In 2016, we see U.S. automotive demand trending higher year-over-year. While we expect to see uneven geographic progress, we look for global demand to rise again. Also, despite the risks we perceive, we forecast steady improvement overall. Europe has pressured General Motors and Ford in the troubled region, but the companies have shown progress, and we see higher industry sales volume there after years of declines. Russia and parts of South America still look likely to be challenged areas, with declines, and the strong dollar is hurting profit and sales translation. |
| **Investment Thesis:** |
| -increased annual capital spending plans for mid-decade to $7.5 billion, up from $6 billion, as this reflects improved sales prospect  - Sale of light truck will take advantage of the low oil price;  - Common platform to reach the economy of scale |
| **Investment Risks:** |
| -Increased competition, less-than-expected demand and production, weaker-than-projected financial services income, higher raw material costs and an unfavorable shift in cash balances.  -European results are a risk. As for corporate governance, we are concerned about Ford family members having greater voting rights than other shareholders. |
| **3-5 Takeaways From Last Quarter’s Investor Call Transcripts:** |

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| -Every business unit with the exception of South America was profitable; Achieved a record company full-year pretax profit of $10.8 billion in 2015;  -Again America's best-selling vehicle brand for the sixth straight year and in Europe Ford became the number one commercial vehicle brand and that's the first time Ford of been able to achieve that in 18 years. |

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| **Financial Performance: In Millions of USD except Per Share** | **Discounted Cash Flow** |
| |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | 2012 | 2013 | 2014 | 2015 | | Revenue | 133,559.0 | 146,917.0 | 144,077.0 | 149,558.0 | | Operating Profit | 5,881.0 | 5,478.0 | 332.0 | 7,647.0 | | Net Income | 5,665.0 | 7,182.0 | 1,231.0 | 7,373.0 | | Revenue Growth % | -1.99 | 10.00 | -1.93 | 3.80 | | EBITDA% | 8.54 | 8.18 | 5.38 | 10.44 | | Operating Profit % | 4.40 | 3.73 | 0.23 | 5.11 | | Net Income Margin | 4.24 | 4.89 | 0.85 | 4.93 | | Leverage ratio | 11.96 | 9.39 | 8.20 | 8.26 | | Interest Coverage | — | — | 3.15 | 22.19 | | EPS | 1.42 | 1.77 | 0.31 | 1.84 | | PE Ratio | 9.92 | 8.12 | 9.07 | 7.37 | | Current Ratio | 0.74 | 0.72 | 0.64 | 0.69 | | ROE | 36.58 | 34.15 | 4.87 | 27.78 | | ROA | 3.06 | 3.64 | 0.59 | 3.36 | | Dividend Per share | 0.20 | 0.40 | 0.50 | 0.60 | | |  |  |  | | --- | --- | --- | |  | 2010-15 | 2016-20 | | Avg. Revenue Growth | 3% | 3% | | Avg. EBITDA Margin | 8.51% | 8.5% | | Avg. NOPAT Margin | 4.69% | 4.7% | | Cost of Debt | | 1.5% | | Tax Rate | | 28% | | Cost of Equity | | 10.8% | | WACC | | 4.3% | | Exit EV/EBITDA | | 2.8 |   **Analyst Opinion**   |  |  |  | | --- | --- | --- | | Buy: 9 | Hold:11 | Sell: 1 |  |  |  |  | | --- | --- | --- | |  | Rating | Target | | S&P NetAdvantage | Five star | 17 | | Morningstar |  |  | | Value Line | Safety 3  Timeliness 3 | $17.00 - 25.00 | |

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| **Relative Valuation** | **Total Return** |
| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | GM | TESLA | FIAT | Ind. Average | Ford | | P/E | 6.28 | #N/A N/A | 6.51 | 6.33 | 6.20 | | P/B | 1.08 | 17.97 | 0.51 | 5.30 | 1.65 | | Dividend Yield | 4.83 | - | - | 2.47 | 5.05 | | PEG Ratio | 0.54 | 1.52 | 0.33 | 0.74 | 0.55 | | EPS (Last FY) | 4.70 | (6.89) | 0.97 | 0.18 | 1.93 | | NI Growth (Last FY) | 145.30 | (202.23) | (33.63) | 102.10 | 498.94 | | Rev Growth (Last FY) | (2.29) | 26.50 | 17.08 | 11.28 | 3.80 | | Operating Margin | 4.69 | (21.44) | 1.31 | (2.41) | 5.81 | | Debt / Equity | 156.51 | 236.39 | 214.20 | 267.30 | 462.08 | | Market Cap | 44,141.60 | 20,319.72 | 8,120.66 | 29,925.02 | 47,118.12 |   **Prepared By: Lingfan Sun**  **Sources: Bloomberg, S&P NetAdvantage, VLIS, Morningstar** | |  |  |  |  | | --- | --- | --- | --- | |  | Company | Sector | S&P 500 | | YTD | -12.17% | -6.64 % | -5.73% | | TTM | -25.31% | -0.57% | -6.27 % | | Last 3 Years | -8.6% | 44% | 32% | | Last 5 Years | -25.67% | 74% | 49% |   **CSR Characteristics**   |  |  |  | | --- | --- | --- | |  | Ford | Industry | | ESG Disclosure | 51.24 | 41.63 | | Governance Disclosure Score | 64.29 | 56.7 | | Social Disclosure Score | 49.12 | 37.28 | | Environmental Disclosure Score | 46.51 | 49.35 | |